

Macau Pension Fund Management Company Limited
澳門退休基金管理股份有限公司

(Incorporated in Macau with limited liability)

Financial Statements

For the year ended 31 December 2023



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MACAO PENSION FUND MANAGEMENT COMPANY
LIMITED**

(incorporated in Macao with limited liability by shares)

Report on the Audit of the Financial Statements

We have audited the financial statements of Macao Pension Fund Management Company Limited (the "Company") set out on pages 3 to 19, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and the Macao Insurance Ordinance under Decree-Law No. 27/97/M, of 30 June amended by Law No. 21/2020 (the "Macao Insurance Ordinance"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Auditing Standards issued by the Professional Committee of Accountants of the Government of the Macao Special Administrative Region. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MACAU PENSION FUND MANAGEMENT COMPANY
LIMITED (Continued)**
(incorporated in Macao with limited liability by shares)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and have been properly prepared in accordance with the Macao Insurance Ordinance.

Report on Other Matters under Article 88(2) of the Macao Insurance Ordinance

In our opinion, the Company has maintained proper accounting records in respect of the year ended 31 December 2023.

The Company has provided us with all the necessary information and explanations required for the purpose of the audit.

A handwritten signature in black ink, appearing to read "Bernard Li", written over a horizontal line.

Li Ching Lap Bernard
Certified Public Accountant
PricewaterhouseCoopers

Macao, 28 February 2024

Statement of comprehensive income for the year ended 31 December 2023

(Expressed in Macau Patacas)

	Note	2023	2022
Fund management income	5	20,742,255	19,972,987
Net investment income	6	4,166,210	627,331
Total income		24,908,465	20,600,318
Commission		(1,226)	(11,596)
Fund management expense	5	(8,136,557)	(7,949,011)
Administrative expenses	7	(7,329,954)	(7,447,988)
Operating expenses		(15,467,737)	(15,408,595)
Profit before taxation		9,440,728	5,191,723
Income tax expense	8(a)	(1,061,042)	(551,190)
Profit after taxation		8,379,686	4,640,533

Approved and authorised for issue by the Board of Directors on 28 February 2024

Signing on behalf of the Board and certifying the correspondence of these financial statements to those approved by the Board and signed by all directors:



Lee Kai Tai
Director



Chan Io Meng
Director / Chief Executive Officer

Statement of financial position as at 31 December 2023

(Expressed in Macau Patacas)

	Note	2023	2022
Assets			
Property, plant and equipment	9	-	-
Intangible assets	10	104,500	170,500
Amount due from immediate holding company	15(b)	151	88
Amount due from a fellow subsidiary	15(b)	-	102,256
Sundry debtors		1,155,938	884,523
Cash and bank balances	11	106,151,275	89,672,687
Total assets		107,411,864	90,830,054
Equity			
<u>Capital and reserves attributable to owners of the Company</u>			
Share capital	12	60,000,000	60,000,000
Reserves	13	22,389,623	14,009,937
Total equity		82,389,623	74,009,937
Liabilities			
Amount due to fellow subsidiaries	15(b)	20,901	-
Accounts payable and accruals		23,940,301	16,268,928
Tax payable	8(b)	1,061,039	551,189
Total liabilities		25,022,241	16,820,117
Total equity and liabilities		107,411,864	90,830,054

Approved and authorised for issue by the Board of Directors on 28 February 2024

Signing on behalf of the Board and certifying the correspondence of these financial statements to those approved by the Board and signed by all directors:



Lee Kai Tai
Director



Chan Io Meng
Director / Chief Executive Officer

Statement of changes in equity for the year ended 31 December 2023

(Expressed in Macau Patacas)

	Attributable to equity holders of the Company			
	Share capital	Legal reserve	Retained earnings	Total
	(Note 12)	(Note 13)	(Note 13)	
At 1 January 2022	60,000,000	3,007,027	6,362,377	69,369,404
Transfer to legal reserve	-	1,266,854	(1,266,854)	-
Profit for the year	-	-	4,640,533	4,640,533
At 31 December 2022	60,000,000	4,273,881	9,736,056	74,009,937
Transfer to legal reserve	-	928,106	(928,106)	-
Profit for the year	-	-	8,379,686	8,379,686
At 31 December 2023	60,000,000	5,201,987	17,187,636	82,389,623

Statement of cash flows for the year ended 31 December 2023

(Expressed in Macau Patacas)

	Note	2023	2022
Cash flows from operating activities			
Profit before taxation		9,440,728	5,191,723
Adjusted for:			
Interest income	6	(4,092,933)	(1,172,903)
Depreciation of property, plant and equipment	9	-	2,458
Amortisation of intangible assets	10	66,000	27,500
Provision for expected credit losses	11	101,949	(22,703)
Operating profit before working capital changes		5,515,744	4,026,075
(Increase) / decrease in sundry debtors		(271,415)	422,411
Net movement in balances with a fellow subsidiary		11,415	(15,447)
Net movement in balances with immediate holding company		(63)	(62)
Increase in accounts payable and accruals		7,671,373	14,104,043
Cash generated from operations		12,927,054	18,537,020
Income tax paid		(551,192)	(741,276)
Net cash generated from operating activities		12,375,862	17,795,744
Cash flows from investing activities			
Acquisition of intangible assets	10	-	(198,000)
Interest received		4,204,675	1,101,277
Increase in time deposits	11	(28,893,705)	(327,051)
Net cash (used in) / generated from investing activities		(24,689,030)	576,226
Net (decrease) / increase in cash and cash equivalents		(12,313,168)	18,371,970
Cash and cash equivalents at the beginning of the year	11	23,789,924	5,417,954
Cash and cash equivalents at the end of the year	11	11,476,756	23,789,924

Notes to the financial statements

(Expressed in Macau Patacas)

1 General information

Macau Pension Fund Management Company Limited (the "Company" or "MPFM") is a company domiciled in the Macau Special Administrative Region of the People's Republic of China and has its registered office and principal place of business at 11 Floor, BCM Building, 594 Avenida da Praia Grande, Macau. The Company was incorporated on 5 April 2017 and licensed to operate pension fund business on 26 May 2017. It is engaged in private pension fund management business.

These financial statements have been approved for issue by the Board of Directors on 28 February 2024 and one original has been signed by all directors. By a written resolution adopted by all members of the Board, it was resolved that any one director is authorised to sign on behalf of the Board other sets of financial statements for filing and submission purpose and to certify that such financial statements correspond to those approved by the Board and signed by all directors.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Macao Financial Reporting Standards issued by the Government of the Macao Special Administrative Region ("MFRS") under the Dispatch of Secretary for Economy and Finance No. 44/2020 and the Macao Insurance Ordinance under Decree-Law No. 27/97/M, of 30 June amended by Law No. 21/2020 (the "Macao Insurance Ordinance").

The financial statements are presented in Macau Patacas ("MOP"), which is the functional and presentation currency of the Company unless otherwise stated. They are prepared on the historical cost basis.

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by the management in the application of accounting principles that have significant effect on the financial statements and estimates with a significant risk arising from material judgements on future years are discussed in Note 3.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (Note 2(h)).

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The applicable rate of depreciation adopted by the Company is as follows:

Computer equipment	20%
--------------------	-----

2 Principal accounting policies (continued)

(b) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised in profit or loss.

(c) Intangible assets – computer software

Intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(h)).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The applicable rate of amortisation adopted by the Company is as follows:

Computer software	33.33%
-------------------	--------

Costs that are directly associated with the acquisition or development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Development costs of such intangible assets include employee costs incurred as a result of developing the software and an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and highly liquid investments that mature in less than three months at the time of acquisition, which are readily convertible into known amounts of cash and therefore subject to insignificant risk from changes in value.

(e) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses (Note 2(h)).

(f) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Macau Patacas ("MOP"), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into MOP using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(g) Employee benefits

- (i) Salaries, annual bonuses, paid annual leaves, and the cost to the Company of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.
- (ii) Obligation for contributions to defined contribution pension plans are recognised as an expense as incurred. The Company has no legal or constructive obligations to pay further contributions if the related fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2 Principal accounting policies (continued)

(h) Impairment

(i) Impairment of financial assets

The Company adopts a “three-stage” model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”.
- Financial instruments in Stage 1 have their expected credit losses (“ECL”) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- In measuring ECL, the Company considers forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company applies a simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

Financial assets are reviewed at each statement of financial position date to determine whether any impairment exists or is expected. If in a subsequent period the assessed amount of an impairment loss decreases, the impairment loss is reversed through profit or loss. The reversal of an impairment loss shall not result in the asset’s carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment; and
- Intangible assets.

If any such indication exists, the asset’s recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Principal accounting policies (continued)

(h) Impairment (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversal of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. The reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(i) Accounts payable and accruals

Accounts payable and accruals are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Taxation

Taxation expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Revenue

Provided it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, revenue is recognised in profit or loss as follows:

Fund management income

Fee income for pension fund management, subscription, switching and withdrawal is recognised when earned under the terms of the respective pension fund management regulations and membership contracts.

Interest income

Interest income from bank deposits and from dated debt securities intended to be held to maturity is recognised as it accrues using the effective interest method.

(l) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (i.e. key management personnel, significant shareholders and / or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

2 Principal accounting policies (continued)

(m) Private pension fund business

The Company manages private pension funds under Decree-Law No. 6/99 of Macau (8 February 1999) under which it receives contributions from employer companies, administers pension plans, pays plan expenses and benefits to plan beneficiaries, holds and manages investment assets in various financial instruments and receives remuneration income from the plans.

Under Article 3 of Chapter 1 of Decree-Law No. 6/99, pension funds are autonomous assets solely for the purpose of financing one or more pension plans. Other than remuneration income, the Company does not recognise in its primary financial statements (statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity) the assets, liabilities, income, expenses or cash flows of the pension funds. Further information on these pension funds is shown in Note 14.

(n) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as deduction from the proceeds, net of tax.

3 Critical accounting estimates and judgments in applying accounting policies

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, contingent liabilities at the end of the reporting date as well as the reported income and expenses for the year. Although the estimates are based on management's best knowledge of current facts as at the end of the reporting date, the actual outcome may differ from these estimates.

Critical accounting judgements in selecting and applying the Company's accounting policies are described below:

Private pension fund business

Assets, liabilities, income, expenses and cash flows relating to private pension fund business are not recognised in the primary financial statements of the Company (Note 2(m)).

4 Management of financial risk

(a) Financial risk

The Company is exposed to financial risk through its financial assets. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its operations. The most important components of this financial risk are interest rate risk, credit risk, liquidity risk and currency risk and credit risk.

These risks include open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk. The Company manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long-term investment returns. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to policy claims.

The Company has established a policy on market risk which sets out the principles that businesses are expected to adopt in respect of management of the key market risks to which the Company is exposed. The Company monitors adherence to this market risk policy through an Investment Committee.

(i) Interest rate risk

Interest rate risk is the risk that the value / future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's investment activities are inherently exposed to interest rate risk, which arises principally from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of investments. In dealing with this risk, the Company adopts an approach of focusing on achieving a desired overall interest rate profile and matching the duration of invested assets with the duration of liabilities, which may change over time, based on the Investment Committee's longer-term view of interest rates and economic conditions.

4 Management of financial risk (continued)

(a) Financial risk (continued)

(i) Interest rate risk (continued)

Assuming interest rates / yields increased by 100 basis points:

	2023	2022
Change on profit after tax	(283,848)	(203,204)

(ii) Credit risk

Credit risk is present in financial assets held by the Company, particularly debt instruments, as well as cash and cash equivalents, whose carrying amounts are net of any applicable provisions. The Company manages credit risk by setting net exposure limits for each counterparty or group of counterparties in relation to investments, cash deposits and use of derivatives. The Company's investment policy also sets out minimum credit ratings for investments to be held. Credit risk exposures are calculated regularly and compared with authorized credit limits before transactions are undertaken with each counterparty.

Credit risk on amount due from a fellow subsidiary and immediate holding company are limited, after considering the exposure amounts and periods, and the financial strength of the fellow subsidiaries.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all of them. The list of approved counterparties is subject to regular review.

The following tables provide information regarding the aggregate credit risk exposure and credit rating of fixed income instruments (mainly based on S&P rating) and bank balances at the end of the reporting period.

	AAA	AA- to AA+	A- to A+	Below A-	Unrated	Total
<u>At 31 December 2023</u>						
Time deposits	-	-	60,607,417	34,261,548	-	94,868,965
Cash and cash equivalent	-	-	34,229	11,442,527	-	11,476,756
	-	-	60,641,646	45,704,075	-	106,345,721
	AAA	AA- to AA+	A- to A+	Below A-	Unrated	Total
<u>At 31 December 2022</u>						
Time deposits	-	-	45,098,521	20,876,739	-	65,975,260
Cash and cash equivalent	-	-	19,948	23,769,976	-	23,789,924
	-	-	45,118,469	44,646,715	-	89,765,184

The carrying amount of the relevant asset classes in the statement of financial position represents the maximum amount of credit exposure.

The Company has the following types of financial assets that are subject to the ECL model:

- Cash and bank balances

While debit balances of amount due from immediate holding company, amount due from a fellow subsidiary, sundry debtors and cash and cash equivalents are also subject to the same impairment assessment, the identified impairment losses were

4 Management of financial risk (continued)

(a) Financial risk (continued)

(ii) Credit risk (continued)

Other financial assets at amortised cost

	<i>Time deposits</i>	<i>Cash and bank balances</i>	<i>Total</i>
Balance at 1 January 2022	115,200	-	115,200
Decrease in impairment allowance recognised	(22,703)	-	(22,703)
Balance at 31 December 2022	92,497	-	92,497
Increase in impairment allowance recognised	101,949	-	101,949
Balance at 31 December 2023	194,446	-	194,446

(iii) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages this risk by monitoring daily and monthly projected and actual cash inflows and outflows by ensuring that a reasonable amount of financial assets is kept in liquid instruments at all times.

The table below analyses the Company's assets and liabilities by maturity grouping based on the remaining period as at the end of the reporting period to the contractual maturity date or, where applicable, the earliest callable date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<i>On demand</i>	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>Total</i>
<u>At 31 December 2023</u>				
Assets				
Amount due from holding companies	151	-	-	151
Time deposits with original maturity greater than three months	-	94,868,965	-	94,868,965
Cash and cash equivalent	11,476,756	-	-	11,476,756
	<u>11,476,907</u>	<u>94,868,965</u>	<u>-</u>	<u>106,345,872</u>
Liabilities				
Amount due to fellow subsidiaries	20,901	-	-	20,901
Accounts payable and accruals	23,940,301	-	-	23,940,301
	<u>23,961,202</u>	<u>-</u>	<u>-</u>	<u>23,961,202</u>

4 Management of financial risk (continued)

(a) Financial risk (continued)

(iii) Liquidity risk (continued)

	On demand	Less than 1 year	1 to 5 years	Total
<u>At 31 December 2022</u>				
Assets				
Amount due from holding companies	88	-	-	88
Amount due from a fellow subsidiary	102,256	-	-	102,256
Time deposits with original maturity greater than three months	-	65,975,260	-	65,975,260
Cash and cash equivalent	23,789,924	-	-	23,789,924
	<u>23,892,268</u>	<u>65,975,260</u>	<u>-</u>	<u>89,867,528</u>
Liabilities				
Accounts payable and accruals	16,268,928	-	-	16,268,928
	<u>16,268,928</u>	<u>-</u>	<u>-</u>	<u>16,268,928</u>

(iv) Currency risk

The Company's exposures to foreign exchange risk arise mainly from its assets denominated in currencies outside of the MOP/HKD/USD bloc which is linked by explicit or implicit pegs. The Company views its currency risk with respect to USD and HKD as not significant on the condition that the Linked Exchange Rate Systems maintained by the Hong Kong Monetary Authority and the Monetary Authority of Macao remain in place.

The table below summarises the Company's exposure to currency risk at the end of the reporting period. Included in the tables are the Company's assets and liabilities at carrying amounts in MOP equivalents, categorised by currency.

	MOP	HKD	USD	Others	Total
<u>At 31 December 2023</u>					
Assets					
Intangible assets	104,500	-	-	-	104,500
Amount due from immediate holding company	151	-	-	-	151
Sundry debtors and accruals	1,155,938	-	-	-	1,155,938
Cash and bank balances	23,545,768	20,655	82,584,852	-	106,151,275
	<u>24,806,357</u>	<u>20,655</u>	<u>82,584,852</u>	<u>-</u>	<u>107,411,864</u>
Liabilities					
Amount due to fellow subsidiaries	20,901	-	-	-	20,901
Accounts payable and accruals	23,940,301	-	-	-	23,940,301
Tax payable	1,061,039	-	-	-	1,061,039
	<u>25,022,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,022,241</u>

4 Management of financial risk (continued)

(a) Financial risk (continued)

(iv) Currency risk (continued)

	MOP	HKD	USD	Others	Total
<u>At 31 December 2022</u>					
Assets					
Intangible assets	170,500	-	-	-	170,500
Amount due from immediate holding company	88	-	-	-	88
Amount due from a fellow subsidiary	102,256	-	-	-	102,256
Sundry debtors and accruals	884,523	-	-	-	884,523
Cash and bank balances	23,667,631	16,599	65,988,457	-	89,672,687
	<u>24,824,998</u>	<u>16,599</u>	<u>65,988,457</u>	<u>-</u>	<u>90,830,054</u>
Liabilities					
Accounts payable and accruals	16,268,928	-	-	-	16,268,928
Tax payable	551,189	-	-	-	551,189
	<u>16,820,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,820,117</u>

(b) Capital management

The Company's objectives when managing capital are:

- To comply with capital requirements set by regulators;
- To safeguard the Company's ability to continue its business as a going concern;
- To maximise returns to shareholders and optimise the benefits to other stakeholders; and
- To maintain a strong capital base to support the development of its business.

5 Fund management income and expenses

Fund management income comprises predominantly management fees charged on the balances of pension fund assets under management in accordance with the management regulations and management contracts of the respective pension funds, for services rendered in relation to the management of pension funds and administration of pension plans.

Fund management expenses comprise predominantly fees incurred on pension fund assets in relation to custody and investment advisory services.

6 Net investment income

	2023	2022
Interest income	4,092,933	1,172,903
Exchange loss	73,277	(545,572)
Net investment income	<u>4,166,210</u>	<u>627,331</u>

7 Administrative expenses

	2023	2022
Wages and salaries	1,055,263	1,335,063
Other staff related expenses	153,693	259,825
Management fee charged by immediate holding company	4,800,000	4,800,000
Acquisition costs	23,016	34,156
Auditor's remuneration	433,510	363,400
Professional fees and support charges	430,610	427,783
Depreciation of property plant and equipment (Note 9)	-	2,458
Amortisation of intangible assets (Note 10)	66,000	27,500
Other expenses	367,862	197,803
	<u>7,329,954</u>	<u>7,447,988</u>

8 Taxation

(a) Income tax expense

Income tax expense comprises Macau Complementary Tax. Macau Complementary Tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate at 12%.

For the years 2023 and 2022, a special tax incentive is provided to the effect that the tax free income threshold is increased from MOP32,000 to MOP600,000 and the profit thereafter being taxed at a fixed rate of 12%.

At the time when the financial statements were prepared, the amounts of taxation on the Company's profits before tax differ from the theoretical amounts that would arise using the Macau Complementary Tax rate applicable to profits of the Company as follows:

	2023	2022
Profit before taxation	<u>9,440,728</u>	<u>5,191,723</u>
Tax calculated at 12%	1,132,887	623,007
Effect of progressive tax rate before 12%	(17,260)	(17,260)
Special tax incentive	(54,740)	(54,740)
Effect of expenses not deductible for tax purposes	155	184
Over-provision in prior years	-	(1)
Income tax expense	<u>1,061,042</u>	<u>551,190</u>

(b) Tax payable

	2023	2022
Provision for current taxation	<u>1,061,039</u>	<u>551,189</u>

9 Property, plant and equipment

	Computer equipment	
	2023	2022
<u>Cost</u>		
At 1 January and 31 December	29,500	29,500
<u>Accumulated depreciation</u>		
At 1 January	29,500	27,042
Depreciation charge (Note 7)	-	2,458
At 31 December	<u>29,500</u>	<u>29,500</u>
Net book value at 31 December	<u>-</u>	<u>-</u>

10 Intangible assets

	Computer software	
	2023	2022
<u>Cost</u>		
At 1 January	204,000	6,000
Acquisitions	-	198,000
At 31 December	204,000	204,000
<u>Accumulated amortisation</u>		
At 1 January	33,500	6,000
Amortisation charge (Note 7)	66,000	27,500
At 31 December	99,500	33,500
Net book value at 31 December	104,500	170,500

11 Cash and bank balances

	Cash and cash equivalents	Time deposits with original maturity greater than three months	Provision for expected credit losses	Total
Balance at 1 January 2022	5,417,954	65,648,209	(115,200)	70,950,963
Net increase	18,371,970	327,051	22,703	18,721,724
Balance at 31 December 2022	23,789,924	65,975,260	(92,497)	89,672,687
Net increase	(12,313,168)	28,893,705	(101,949)	16,478,588
Balance at 31 December 2023	11,476,756	94,868,965	(194,446)	106,151,275

12 Share capital

	Number of shares	Share capital
Ordinary shares, issued and fully paid:		
At 1 January, 31 December 2022 and 2023	60,000	60,000,000

Through a resolution of the shareholders' general meeting on 25 March 2021, the Company has authorized 20,000 shares to be issued proportionally to existing shareholders for a total consideration of MOP20,000,000, to be settled by payment of MOP8,000,000 in cash and conversion of MOP12,000,000 retained earnings of the Company into share capital, subject to regulatory approval. Such approval was granted by the Government of the Macao Special Administrative Region effective 16 August 2021, upon which 20,000 shares were issued against settlement as stipulated by the said resolution. The shareholding structure of the Company remains unchanged before and after this increase of share capital.

In respect of share capital, the Company complied with Article 17 of the Pre-amended Macao Insurance Ordinance applying the transitional provisions for the period from 1 January 2021 to 15 August 2021. The Company complied with Article 17 of the Macao Insurance Ordinance for the period from 16 August 2021 to 31 December 2023.

13 Reserves

	Legal reserve	Retained earnings	Total
Balance at 1 January 2022	3,007,027	6,362,377	9,369,404
Transfer to legal reserve	1,266,854	(1,266,854)	-
Profit for the year	-	4,640,533	4,640,533
Balance at 31 December 2022	4,273,881	9,736,056	14,009,937
Transfer to legal reserve	928,106	(928,106)	-
Profit for the year	-	8,379,686	8,379,686
Balance at 31 December 2023	5,201,987	17,187,636	22,389,623

Article 5 paragraph 2 of the Legal Framework for Private Pension Funds (Decree-Law No.6/99/M) stipulates that provisions of the Macau Insurance Ordinance (Decree-Law No.27/97/M, as amended by Law No.21/2020) relating to life insurance companies shall apply to the constitution, establishment and operation of pension fund management companies. Pursuant to Article 84 of the Macau Insurance Ordinance, the Company is required to set up a legal reserve, which is non-distributable, and make transfers to the reserve based on the following percentages of any net profit computed for each financial year:

- (i) 20%, until the total of such a reserve equals one half of the minimum share capital fixed under Article 17 paragraph 1 of the Macau Insurance Ordinance; and then
- (ii) 10%, until the total of such a reserve equals such minimum share capital.

Following approval by shareholders of a dividend in respect of a financial year, any undistributed profits to be retained in the Company are transferred to retained earnings.

In accordance with the Macau Insurance Ordinance a minimum of MOP1,675,937 in respect of the profit for the year 2023 subject to approval by shareholders, shall be transferred to the legal reserve.

14 Private pension fund business

The Company provides trust services for retirement benefit plans under Decree-Law 6/99 of Macau (8 February 1999), whereby it holds and manages assets or invests funds received in various financial instruments according to the limits and rules set out by AMCM. The Company receives fee income for providing these services. Trust assets are not assets of the Company and are therefore not recognised in the statement of financial position.

According to conditions set out in the respective management contracts, the Company provides a guarantee of capital to a certain fund put under its management.

	2023	2022
Pension fund with capital guarantee	765,452,787	730,337,693
Pension funds without guarantee	2,305,160,319	2,071,271,659
	<u>3,070,613,106</u>	<u>2,801,609,352</u>

15 Related parties

The Company is controlled by Macau Insurance Company Limited (incorporated in Macau), who owns 99.85% of the Company's shares. The directors of the Company consider Dah Sing Financial Holdings Limited (incorporated in Hong Kong) to be the ultimate holding company.

Dah Sing Financial Holdings Limited and its group companies, which include Dah Sing Banking Group Limited and its subsidiaries, are considered as related parties of the Company. Significant transactions, balances and off-balance sheet items involving related parties in the normal course of the Company's business are set out below:

(a) Transactions with related parties

	2023	2022
<u>Transactions with immediate holding company</u>		
Fee income received / receivable	52,762	51,468
Premiums paid / payable	(22,545)	(28,986)
Management fees paid / payable	(4,800,000)	(4,800,000)
<u>Transactions with a fellow subsidiary</u>		
Interest income received / receivable	653,655	934,914
Fee income received / receivable	263,971	259,443
Bank charges paid / payable	(356,830)	(326,920)

(b) Balances with related parties

	2023	2022
Amount due (to) / from a fellow subsidiary	(20,901)	102,256
Deposits placed with a fellow subsidiary	45,704,075	44,643,821
Amount due from immediate holding company	151	88

(c) Assets held on behalf of retirement benefit plans

Total assets held by the Company at the end of the year on behalf of retirement benefit plans of related parties in the normal course of its private pension fund business are as follows:

	2023	2022
Retirement benefit plan of employees of the Company	894,797	833,281
Retirement benefit plan of the immediate holding company	19,977,795	20,055,641
Retirement benefit plans of a fellow subsidiary	106,070,027	105,952,185

Subscription and management fees are charged on assets of these retirement benefit plans on an arm's length basis in the normal course of the Company's business.

(d) Key management compensation

The directors are regarded as key management of the Company. No fees or other emoluments were paid or payable to the key management of Company during the year (2022: Nil).